Before the Federal Communications Commission Washington, D. C. 20554

In the Matter of)	
)	
ClickQuick II, LLC, San Marino at)	
Laguna Lakes, L.L.C. a/k/a Bear Lakes)	
Associates, Ltd., and Villa Del Sol,)	
L.L.C. a/k/a VDS Associates, Ltd.)	
against BellSouth Telecommunications, Inc	.)	WC Docket No. 03-112
First Amended Petition for Declaratory)	
Ruling that the Location of the Demarcation	n)	
Point Pursuant to 47 C.F.R. §68.105(d))	
(2) Preempts the Location of the)	
Demarcation Point Pursuant to)	
§25-4.0345(1)(B)(2) of the Florida)	
Administrative Code)	

BELLSOUTH'S REPLY

BELLSOUTH TELECOMMUNICATIONS, INC.

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Date: June 19, 2003

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BELLSOUTH'S REPLY

BellSouth Telecommunications, Inc., by counsel, replies to the comments filed by AT&T Corp. and Smart Buildings Policy Project ("AT&T") and the Real Access Alliance ("RAA").

I. INTRODUCTION AND SUMMARY

The Florida Public Service Commission demonstrates why its rule should not be preempted. The two comments supporting preemption are not persuasive. The petitioners do not contend that the Florida rule prevents them from relocating an existing demarcation point; rather, their petition seeks a declaration that the Florida rule is preempted in the first instance by the federal rule that describes how carriers' network demarcation points are established in multi-

tenant environments ("MTEs"). Neither petitioners, AT&T nor RAA, demonstrate that the Florida rule operates to deny competitive access to MTEs, and RAA actually asserts that the rule facilitates facilities-based competition in MTEs. Neither party offers any evidence that the policies underlying the Florida rule as articulated by the Florida Public Service Commission negate any federal policies.

RAA's comments illustrate the kind of confusion that results from the indiscriminate use of the term "inside wire," especially when it is used to describe the network distribution facilities of common carriers that happen to be physically present within buildings or building campuses. BellSouth's regulated network loop distribution facilities were, in this case, installed with petitioner building owners' full knowledge and consent using conduit pathways installed by the petitioner building owners for that very purpose in accordance with a valid state rule that this Commission declined to preempt in 1997. RAA's discussion of the petitioners' "rights" in BellSouth network facilities reflects a crabbed and arbitrary interpretation of Commission orders, and ignores the Commission's recognition of the significant network investment ILECs such as BellSouth may have in MTEs.

II. THE PETITION DOES NOT RAISE RELOCATION OR COMPETITIVE ACCESS ISSUES

AT&T urges the Commission to find "that a state demarcation rule that circumvents the ability of the building owner (or its agent) to move the demarcation point to the MPOE or its equivalent, is preempted by the federal rule." No such circumstances are present here.

AT&T Comments at 6. The RAA also contends that the Florida rule should be preempted, at least insofar as BellSouth has interpreted it as preventing the property owners from

Petitioners have not invoked 47 C.F.R. § 68.105(d)(3), the portion of the rule that governs relocation, in their petition.² The issue of whether the Florida rule "circumvents" the ability of a building owner to move the demarcation point is therefore not before the Commission. Petitioners have simply sought to "deem" the demarcation to be at the MPOE on the basis that Rule 25-4.0345(1)(b) is preempted by 47 C.F.R. § 68.105(d)(2). As BellSouth has shown, and as AT&T obliquely acknowledges, ³ this Commission declined to preempt the Florida rule as recently as 1997.⁴ In any event, as the comments of the Florida Public Service Commission ("FPSC") show, petitioners can seek an exception to the Florida rule, which may be granted for "good cause shown."⁵

exercising their right to move the demarcation point to a place of their choosing. RAA Comments at 2-4. As shown above, this is not petitioners' complaint.

BellSouth Comments at 16-20.

³ AT&T Comments at 5.

BellSouth Comments at 3-8. The RAA omits discussing the Commission's 1997 determination that the Florida rule is not preempted by the FCC rule. See In the Matter of Section 68.104 and 68.213 of the Commission's Rules Concerning Connection of Simple Inside Wiring to the Telephone Network and Petition for Modification of Section 68.213 of the Commission's Rules filed by the Electronic Industries Association, CC Docket No. 88-57 and RM-5643, Order on Reconsideration, Second Report and Order and Second Further Notice of Proposed Rulemaking, 12 FCC Rcd 11897, 11919, ¶¶ 35-36 (1997) ("Simple Inside Wire Reconsideration Order"). This omission, while not a procedural violation, undermines RAA's analysis. RAA merely presents the texts of the two rules, and, without any facts or argument as to conflicting federal/state policies, argues preemption. Especially in this context, with a prior determination of no conflict, apparent textual conflicts are not enough, "[a] federal agency acting within its statutory authority may preempt inconsistent or conflicting state actions so long as it has reasonably accommodated conflicting policies that were committed to its care, unless it appears from the statute or its legislative history that the accommodation is not one that Congress would have sanctioned." NARUC v. FCC, 880 F.2d 422, 427 (D.C. Cir. 1989), quoting City of New York v. FCC, 486 U.S. 57, 64 (1988) (emphasis added).

FPSC Comments at 2.

AT&T's suggestion that the Commission's rules "serve to decrease CLEC reliance on the ILEC in providing competitive services to end users" is unpersuasive if it is offered in general support of an MPOE demarcation point. Had petitioners chosen an MPOE or equivalent demarcation point initially, there would not now be any BellSouth installed facilities beyond that point on the premises for the petitioners or for any other CLEC to use. As this Commission itself recognized in 2000, "[r]elocation of the demarcation point to the MPOE, however, would result in a decrease in the amount of wiring within the building that is available to competitive LECs as part of the loop, which by definition ends at the demarcation point."

Neither RAA nor AT&T has shown why "relocating the demarcation point could ultimately allow the entrance of additional providers," in addition to or instead of BellSouth and ClickQuick. It is, in fact, impossible to determine the veracity of this assertion, because there is absolutely no evidence in the record that petitioner ClickQuick or any other kind of provider has been denied access to the building by the petitioner building owners. Presumably, anyone willing to take the investment risk of installing their network distribution facilities to a demarcation point at the customer's premises (or at any other point, in the case of an FPSC-

AT&T Comments at 2, 8. Significantly, no CLEC has challenged the Florida rule. None of the petitioners is a CLEC. If they were, they would be able to obtain unbundled access to these subloop elements at cost-based rates constrained by federal and state regulators.

BellSouth Comments at 18.

⁸ Competitive Networks Order, 15 FCC Rcd at 23006-07, ¶ 51 (declining to adopt mandatory federal MPOE rule).

granted exception) may do so in the subject buildings, and the Commission has determined that, with respect to the types of facilities provided by information services providers, building owners are willing to pay for and maintain such facilities.⁹

RAA claims that the effect of the Florida rule and BellSouth's practice is to delay entrance by competitors and increase costs to competitors, because competitors are forced to install a parallel set of wires on the premises. This is false, illogical and in any event makes the case against preemption. It is false because there is no evidence in the record of delayed entrance or increased cost to competitors in Florida. If BellSouth had stopped at the MPOE or its equivalent at the request of petitioners and on an exception granted by the FPSC, there would be no facilities on the premises installed by BellSouth for others to use.

More significantly, it is illogical and makes the case against preemption because the Commission, in its *Competitive Networks* and various *UNE* proceedings has expressly stated a preference for regulatory policies that favor the development of multiple, facilities-based competitors. ¹⁰ Encouraging a "parallel set of wires on the premises" is exactly what Congress envisioned when it enacted the 1996 Act and removed barriers to local exchange competition.

⁹ *Id.* at 23007-08, n.125.

[&]quot;[W]e believe that, in the long term, the most substantial benefits to consumers will be achieved through facilities-based competition, because only facilities-based competitors can break down the incumbent LECs' bottleneck control over local networks and provide services without having to rely on their rivals for critical components of their offerings. Moreover, only facilities-based competition can fully unleash competing providers' abilities and incentives to innovate, both technologically and in service development, packaging, and pricing." In the Matter of Promotion of Competitive Networks in Local Telecommunications Markets, et al., WT Docket No. 99-217; CC Docket No. 96-98, Notice of Proposed Rulemaking and Notice of Inquiry in WT Docket No. 99-217, and Third Further Notice of Proposed Rulemaking in CC Docket No. 96-98, 14 FCC Rcd 12673, 12676, ¶ 4 (1999).

Encouraging a "parallel set of wires" – that is, full-fledged, facilities-based competition to MTEs – is precisely what this Commission's rules and policies are designed to accomplish. Thus, this Commission's earlier decision not to preempt the Florida rule is clearly "an accommodation that Congress would have sanctioned." In the instant case, the petitioner building owners were (and remain) free to obtain an exception to the presumptive rule and, with or without such an exception, to install and own their own wire between their selected demarcation points and the customer's premises in existing conduit that can accommodate multiple "parallel sets of wires." ¹²

Finally, RAA also ascribes motives and positions to BellSouth that are irrelevant to the legal challenge. RAA states that "BellSouth seems to claim that because ClickQuick does not provide a telecommunications service, it has no right to use the inside wiring under any circumstances." Under the 1996 Act BellSouth has no obligation to interconnect with entities that do not provide telecommunications service, so there is not a state policy implicated by the rule that the FCC rule needs to accommodate. In light of this, neither AT&T nor RAA have provided evidence of any policies underlying the Florida rule that negate federal policies.

NARUC v. FCC, 880 F.2d at 427. It is also an accommodation the FCC would sanction in the context of the Competitive Networks Proceeding in light of its recognition that an MPOE demarcation location "would result in a decrease in the amount of wiring within the building that is available to competitive LECs as part of the loop, which by definition ends at the demarcation point." Competitive Networks Order, 15 FCC Rcd at 23006-07, ¶ 51.

Affidavit of Edward Charles Brower, attached to BellSouth Comments, ¶ 4 ("Brower Aff.").

RAA Comments at 8.

From the very beginning, BellSouth advised that, if petitioner ClickQuick were certified as a CLEC by the Florida PSC, it could lease the NTW at the premises from BellSouth.

III. RAA CONFUSES BELLSOUTH'S NETWORK LOOP DISTRIBUTION FACILITIES WITH UNREGULATED "INSIDE WIRE"

The RAA Comments reach at least one right result (RAA's conclusion to "refrain from urging the Commission to rule that ClickQuick has the right to use the facilities on the customer's side of the demarcation point over BellSouth's objections"), 15 but along the way weave a baffling tale. The RAA's discussion of "inside wire" is cursory, inaccurate and perpetuates a continuing problem in the unrestricted, and no doubt often unwitting, use of the term "inside wire" – with its specific and historic regulatory and legal connotations – to describe any type of communications transmission media that happens to be deployed in buildings. 16

Not every facility that is physically within a building constitutes "inside wire." Indeed, under the Commission's current rules, the "cables and wires located on the company's side of the demarcation point or standard network interface inside subscribers' buildings on one customer's same premises" are classified, from a regulatory accounting standpoint, as "intrabuilding

¹⁵ RAA Comments at 8.

Id. at 3-4. BellSouth urges the Commission to grant BellSouth's long pending Petition for Reconsideration, with the modifications proffered in its Reply Comments in response to the well taken objections of several CLECs, and reconsider the overly broad definition of "inside wire" which the Commission apparently adopted in its 1999 UNE Remand Order. As BellSouth has demonstrated, ILEC and CLEC carriers alike (except AT&T) are frustrated with the confusing uses of the term "inside wire" and seek practical clarity. See In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, BellSouth Petition for Reconsideration/Clarification at 1-4 (filed Feb. 17, 2000); BellSouth Reply at 1-7 (filed Apr. 5, 2000).

network cable" ("INC") ¹⁷ and "network terminating wire" ("NTW"). ¹⁸ Thus, under the Commission' rules, policies and practices, there are two types of facilities physically present in buildings: detariffed, deregulated and unregulated "inside wire" that is owned and controlled by the customer on its side of the network demarcation point, and carrier installed, owned and controlled loop distribution facilities in the form of INC and NTW on the carriers' side of the established network demarcation point.

Thus, under existing facts and law, INC and NTW recently installed, and currently owned and controlled by, BellSouth, extends to demarcation points established under un-preempted state law at the customers' premises in the buildings that are the subject of the instant petition.

On the other side of those demarcation points are runs of unregulated "inside wire," under the ownership and control of the petitioner building owners and possibly their tenants. Petitioners seek to "deem" the existing INC and NTW to be "inside wire" by asserting federal preemption — in effect, to unilaterally detariff and deregulate BellSouth network facilities so that petitioners can obtain these facilities for use without expense and without interference from BellSouth, and also without invoking the Commission's demarcation relocation rules, which contemplate

¹⁷ 47 C.F.R. § 32.2426.

NTW is defined in BellSouth's Accounts and Subsidiary Records Categories ("SRCs") as "that portion of the facility (including appurtenances) that is used to extend circuits from an Intrabuilding Network Cable terminal or from a Building Entrance terminal to an individual customer's demarcation point."

Historically, "detariffed and deregulated" inside wire was Part 32 Account 2321 inside wire originally installed by local exchange carriers pursuant to tariff. Today, the term "unregulated inside wire" is generally used to indicate any facilities installed by the customer at its expense from its customer premises equipment ("CPE") all the way to the point of carrier network demarcation.

negotiations that include awarding appropriate compensation to the serving carrier for the effect of any relocation on the carrier's existing facilities.

In recently rejecting calls to establish a mandatory MPOE demarcation point, this

Commission noted the legal and practical difficulties of doing so, finding "[i]t is indisputable
that the incumbent LECs have made considerable investments over the years in network
facilities, and while much of that investment has likely been depreciated or recouped in the rate
base, the facilities remain of some value to the incumbents." In that same order, when it
established the guidelines for the 45-day negotiating period for relocations of the demarcation
point, the Commission noted that "each situation will vary greatly depending on such
characteristics as the age and complexity of the inside wiring, and any previous agreements and
practices." 21

Thus, the federal rule contemplates that, until the parties negotiate the terms and conditions of a relocation of a network demarcation point within the 45-day period established under the Commission's rules, a carrier's network facilities on the carrier's side of the existing demarcation point remain the property of the carrier (and may be subject to unbundling as subloop elements under the Commission's rules or carrier-to-carrier interconnection

Competitive Networks Order, 15 FCC Rcd at 23007, ¶ 52. In this case, BellSouth's investment has been recent (late 2002).

Id. at 23008, ¶ 55. Note the Commission's own internally inconsistent use of the term "inside wiring" in the *Competitive Networks Order*. In paragraph 52, it properly refers to ILEC investments in "network facilities" in buildings while in paragraph 55 it seems to refer to these same facilities as "inside wiring."

agreements).²² Once the negotiation period ends, during which arrangements should have been made for the relocation of the demarcation points and agreements should have been reached on the disposition of a carrier's regulated network loop distribution facilities (whether removal or transfer, and terms of any appropriate consideration for the transfer, in accordance with the Commission's recognition of the value, on a fact-specific basis, of an ILEC's network investment), the building owners may own or control former ILEC network facilities that are now on the customer side of the demarcation point.

Thus, RAA misinterprets BellSouth's position when it states, "BellSouth's position seems to be that if ClickQuick connects to the inside wiring controlled by Petitioners, then ClickQuick will be 'using' the wiring, and that BellSouth has the right to prevent that use." No petitioner lawfully controls any of BellSouth's NTW or INC, which is not "inside wiring controlled by petitioners." If the petitioners had initially obtained an exception to the presumptive premises demarcation location, and BellSouth had installed its network to another point, any "wire" on the customer side of this hypothetical new demarcation point would not have been installed by BellSouth, and BellSouth would have no right or interest in preventing anyone from using it. The petitioners did not obtain an exception, however, and BellSouth has

BellSouth has, in fact, established state-approved rates, terms and conditions for NTW as an unbundled sub-loop element. Mischaracterizing NTW as "inside wire" turns carefully crafted interconnection agreements and established UNE rate elements on their heads.

RAA Comments at 5-6.

installed its network loop distribution facilities to the customer premises with petitioners' full knowledge and consent, using conduit pathways installed by the petitioner property owners.²⁴

RAA claims that if "BellSouth has deliberately followed a policy of installing inside wiring at its own expense, without entering into written agreements with property owners spelling out the rights of the respective parties, it has done so in the knowledge that the Commission intended to deregulate inside wiring and had expressly limited BellSouth's control over such wiring."

This continues the confusion – the Commission has in fact detariffed Part 32, Account 2321 inside wiring previously provided by LECs pursuant to tariff. BellSouth asserts no control over that. BellSouth does not and did not install unregulated inside wire in this case, and there are no Part 32 Account 2321 facilities installed by BellSouth under tariff on the subject premises for BellSouth to attempt to assert any control over. BellSouth did install regulated network loop distribution facilities to demarcation points across the MPOE and to the individual customer's premises in accordance with a Florida rule that this Commission deliberately and specifically chose not to preempt.

Commission constraints designed to prevent ILECs from exercising perceived market power to thwart competition are not regulatory devices engineered to give building owners a windfall by accessioning regulated network loop distribution facilities without regard to their value and status as ILEC property. Indeed, allowing petitioner building owners to accession BellSouth's recently installed regulated loop distribution facilities under principles of preemption

²⁴ Brower Aff., ¶¶ 4-7.

²⁵ RAA Comments at 7.

and without compensation to BellSouth, as effectively proposed in the instant petition, thwarts the FCC's own stated goal of inside wire deregulation – the principle that "the causative ratepayer should bear the full burden of the costs" of connecting CPE to the telephone network. Of course, an entity's constitutional right to receive appropriate compensation for the use or even taking of its property as a result of a government rule undergirds this principle – the right that RAA explicitly recognizes in its comments and in the various legal challenges brought by RAA members to state-enacted mandatory building access laws.

RAA's assertion to the contrary, the ClickQuick scenario presents no "novel question," unless that question is, "may building owners wait until *after* a telephone company installs, at its own expense, network loop distribution facilities to the customers' premises, rather than arrange for an alternate demarcation in the first instance, to 'deem' the demarcation point to be elsewhere, and then use and control the network facilities on the 'customer' side of the new demarcation point as unregulated 'inside wire,' thus shifting the entire risk and expense of installation from the building owner to the company, and without any regulatory accountability for tenants' service quality and access to competitive service providers?"

RAA's discussion of BellSouth's "rights" in its own network loop distribution facilities is as astounding as it is superficial and unpersuasive. RAA states that "BellSouth has been on notice of the rights established by the FCC rule since 1991, when the original version of the rule took effect," but fails to note that it was BellSouth that filed a timely petition for

²⁶ NARUC v. FCC, 800 F.2d at 425.

²⁷ RAA Comments at 6.

reconsideration of that rule in 1990, explaining that the rule appeared to preempt the Florida rule, attached a text of the Florida rule, actually made the case for apparent conflicting policies underlying the two rules, only to obtain a determination from the FCC (which deliberated the question for seven years) that neither the Florida rule nor any other rule was preempted. In the intervening years, BellSouth and the FPSC alike have relied on this determination.

The RAA states, without support of any decisional authority, that "the FCC expressly intended to preserve flexibility in multiunit installations." In the case of carriers that adopt an MPOE demarcation policy as permitted under the federal rule, the Commission's rule actually operates to *prevent* building owners from selecting any other demarcation point or points on the building owner's premises. So this mere assertion of "flexibility" is not persuasive of a need to preempt; the Florida rule, as shown above, allows the building owner to obtain an exception to the presumptive premises demarcation. In any event, as BellSouth demonstrated in its Comments, when the Commission earlier determined that the Florida rule was not preempted,

²⁸ *Id.* at 4.

Indeed, the current rule, which allowed carrier deviations from the generally accepted practice of locating the demarcation point at the customer's premises, was adopted over the strident objections of building owners, who did not want to assume the financial or technical responsibility for the facilities running between the MPOE and the customer's premises. See Petition of Building Owners and Managers Association of Pittsburgh, Inc., ["BOMA"] (1) To Intervene in Rule Making Proceeding and (2) For a Declaratory Judgment that Rule 68.213 Does Not Apply to Inside Wiring in High Rise Multi-Tenant Buildings, or (3) For the Amendment or Repeal of FCC Rule 68.213, CC Docket No. 88-57 (filed Oct. 15, 1992), addressed in Simple Inside Wire Reconsideration Order, 12 FCC Rcd at 11914, ¶ 25. Indeed, this same concern has been expressed by the Commission. Petitions Seeking Amendment of Part 68 of the Commission's Rules, CC Docket No. 81-216, First Report and Order, 97 FCC 2d 527, 533-34 (1984) (recognizing that in multi-unit buildings in which riser cable and loop distribution facilities are under the control of the building owner, troublesome issues involving the terms and conditions of telephone network access may develop).

the Commission specifically considered that the federal rule "allows premises owners to place the demarcation point virtually anywhere they choose." Thus, the very federal policy favoring "flexibility" that RAA (but not petitioners) articulate, a policy favoring premises owners' ability to place the demarcation point "virtually anywhere" they choose, was determined by the Commission *not* to be negated by the Florida rule.³¹

RAA opines that BellSouth has waived any rights to compensation for its network facilities, that it prospectively "abandoned" its network by installing to the customer's premises in compliance with the Florida rule, and that the FCC actually intended that any carrier who installs facilities to the customer's premises takes the risk that building owners may seize the facilities and make them available for competitive entry. RAA provides no legal basis for this theory of "abandonment," which is contrary to both Florida law³² and the Commission's own approach to the disposition of a displaced incumbent's facilities in apartment complexes in the

Simple Inside Wire Reconsideration Order, 12 FCC Rcd at 11919, ¶ 35.

BellSouth Comments at 9.

An abandonment is the relinquishing of a right or interest with the intention of never again claiming it. Black's Law Dictionary 1 (7th ed. 1999). Under Florida law, the party asserting abandonment has the burden of proving it. *J.C. Vereen & Sons, Inc. v. Miami*, 397 So.2d 979, 981 (Fla. 3d Dist. Ct. App. 1981). Abandonment of property in Florida requires a showing of actual acts of relinquishment accompanied by an intention to abandon. *Bobo v. Vanguard Bank & Trust Co.*, 512 So.2d 246, 247 (Fla. 1st Dist. Ct. App. 1980). The "intention" is the intent to abandon "forever." *Florida v. Schultz*, 388 So.2d 1326, 1329 (Fla. 4th Dist. Ct. App. 1980). BellSouth's assertion of ownership rights in its network facilities and its active provision of local exchange services over its loop distribution plant belie any claim of abandonment. By extending its network to the customer's premises in accordance with the Florida rule, which this Commission chose not to preempt, BellSouth cannot by any stretch be regarded as manifesting an intention to permanently relinquish its network plant. The assertion is baseless, frivolous and vexatious.

case of Title VI non-common carriers.³³ The argument again misses the essential point that under the Commission's own rules and accounting procedures, BellSouth-installed network loop distribution facilities up to the demarcation point at a customer's premises do not constitute "inside wiring."

IV. CONCLUSION

Neither AT&T nor RAA have provided any legal or factual support for the petition, which is an insufficient basis for the Commission to preempt the Florida rule. RAA's comments reveal rampant confusion over the meaning and significance of the term "inside wire." The Commission should deny the instant petition and grant BellSouth's pending petition for reconsideration on the issue of "inside wire" definitions in CC Docket No. 96-98.

See, e.g., 47 C.F.R. § 76.804. Where an incumbent multichannel video programming distributor ("MVPD") does not have a legally enforceable right to remain on the premises of a multiple dwelling unit ("MDU"), and where the MDU owner seeks to use the incumbent MVPD's home run wiring to receive service from another MDU, the incumbent MVPD has the right, upon 90 days' written notice provided by the MVPD owner, to elect whether to remove the wiring, sell the wiring to the MDU owner, or to abandon it. This is a clear example that the Commission would not countenance rules designed to allow building owners to access an incumbent's property without due process, and that any "abandonment" must be at the express election of the incumbent (with subsequent ownership to be determined under state law). In the Matter of Telecommunications Services Inside Wiring; Customer Premises Equipment; In the Matter of Implementation of the Cable Television Consumer Protection and Competition Act of 1992; Cable Home Wiring, CS Docket No. 95-184, MM Docket No. 92-260, Report and Order and Second Further Notice of Proposed Rulemaking, 13 FCC Rcd 3659, 3682, n.128 (1997).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that I have this 19th day of June 2003 served the following parties to this action with a copy of the foregoing **BELLSOUTH'S REPLY** by electronic filing and/or by placing a copy of the same in the United States Mail, addressed to the parties listed on the attached service list.

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